



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/1/2004

GAIN Report Number: MY4043

Malaysia

Poultry and Products

Annual

2004

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Report Highlights:

The Malaysian poultry scene was faced with various challenges in the past year from grappling with the higher production cost of broilers; to keeping the Malaysian chicken farms free from Avian Influenza; to dealing with the impact on the poultry export market due to the discovery of H5N1 virus strain in a village farm. Best product prospects for US exporters continue to be in supplying day-old chicks, broiler grandparent stock, frozen turkey/turkey parts and frozen chicken parts.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Kuala Lumpur [MY1]
[MY]

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Executive Summary

Malaysia has one of the highest per capital consumption rates in the world for chicken at 31 kg. Malaysia is self-sufficient in meeting the country's demand for broiler meat. The country also has a high per-capita egg consumption level of 280 eggs per person per year.

The production and consumption of broiler chicken meat continued to expand in 2003. However, the avian influenza outbreaks in the region early this year have caused alarm among consumers and keep them away from consuming chicken meat. The domestic consumption and export markets are expected to decline with the discovery of the first case of H5N1 avian flu in the country if it is spread further.

On August 19, 2004, the highly Pathogenic Avian Influenza (HPAI) that has been blamed for the deaths of 27 people across Asia since the outbreak at the end of last year was found in two chicken carcasses in Pasir Pekan in the Northeast region of the state of Kelantan, near to the Thai border. The discovery prompted major markets such as Singapore, Japan, the EU and Hong Kong to ban all poultry and poultry products from Malaysia. The local poultry industry is reported to be losing RM10 million (US\$2.6 m) daily. The Federation of Livestock Farmers' Association of Malaysia has advised all 2,500 poultry farmers nationwide to reduce production of live chickens.

On February 9, the Malaysian Veterinary Department (DVS) imposed a temporary ban on poultry, livestock, meat and related products from the U.S. following low pathogenic (LPAI) avian flu outbreak in Delaware and Maryland and highly pathogenic (HPAI) outbreak in Texas. The ban covers day-old chicken, frozen poultry and processed poultry. The Malaysian government has lifted the ban but needs to issue official notice.

The best prospects for U.S. exporters will be in supplying day-old chicks (DOC), broiler grandparent stocks, frozen turkey/turkey parts and frozen chicken parts. There are also limited opportunities for sales of processed poultry meat.

Exchange rate: US1.00 = RM3.80.

Production

1. Poultry meat - Broiler -- Breeding Stock (Broiler)

The Malaysian poultry sector relies solely on high quality exotic breeds from the United States, Europe, Canada, and Australia. According to a survey conducted by the Malaysian Department of Veterinary Services (DVS), the standing broiler parent stock population was estimated at 4.6 million birds in 2003. There are five fully integrated and twenty-four non-integrated parent stock breeder farms in the country. The Arbor Acres and Cobb are the predominant breeds used, account for 60 percent of the total parent stock. Other breeds are Avian, Ross and Hubbard. The domestic industry is about 67 percent self-sufficient in the production of parent stock. There are two grandparent farms (Avian and Arbor Acres) that supply 52 percent of the parent stock chicks needed. The remaining of 48 percent was imported from the EU, North America and Thailand.

The broiler production for Malaysia was about 451 million birds in 2003. For the same year, the day-old chick production was about 431 million birds and is projected to reach 461 million chicks in 2004. The contribution by integrators to the total day-old chicks production was about 61%. In 2003, imports of day-old chicks had decreased to 5 million, from 7.8 million chicks in 2002. Last year, U.S. was the largest supplier of day-old chick to Malaysia. About 1.5 million day old chicks were imported from U.S. compared with 0.8 million in 2002, an increased of more than 80%. Imports from Thailand had reduced significantly. Only about 0.8 million day-old chicks were imported from Thailand in 2003, compared to 4.1 million in 2002.

-- Broiler Meat

In 2003, ex-farm price of live broilers fluctuated between RM1.70/kg to RM3.50/kg. The average ex-farm price for the year was RM2.91/kg compared to RM2.65/kg the year before. Cost of production of broilers was ranging between RM2.43/kg to RM 3.17/kg, with an average cost of RM2.80/kg for the year. It was reported that the lower ex-farm price and higher cost of production of broilers caused difficulties for producers to maintain operations. The surge in imports of chicken meat was also affecting the local broiler industry.

Since the highly pathogenic avian influenza (HPAI) outbreak in Thailand, Vietnam, China and Indonesia early this year, Malaysia has been vigilant in keeping the country avian influenza (AI)-free. In addition to immediate prohibitions of imports of poultry from these countries, security measures at the Malaysian-Thailand border have been stepped-up to prevent smuggling of chicken from Thailand and preventive measures such as monitoring closely the chicken farms, wet markets, pet shops to keep the bird flu at bay.

The Malaysian chicken producers have reportedly expanded their export markets while the bird-flu plagues the region. Japan and the EU looked to Malaysia to supply disease-free chicken, in addition to existing markets such as Singapore and Brunei.

On August 19, 2004 the highly pathogenic avian influenza (HPAI) was detected in two chicken carcasses in the state of Kelantan, near the Thai border. Two roosters used for cockfighting from a village were infected with the deadly strain of H5N1 virus. It is suspected that the birds had contracted the virus during a fight in Thailand recently. The Malaysian Veterinary Services took necessary control measures to keep the virus in check.

The ex-farm price for live broiler tumbled to RM2.50/kg on the week of August 23. Large scaled-commercial farms are affected by the discovery and poultry farmers are reported to be suffering losses estimated at RM10 million daily. The situation was aggravated by the ban imposed on all poultry products from major export markets such as Singapore, Hong Kong, Japan and the EU. Singapore, by far is the largest export market for live poultry and poultry products from Malaysia. About 2.2 million eggs and 130, 000 chicken are exported daily to the republic. Singapore is expected to lift the ban as soon as Malaysia declares the country free from AI.

Table 1: Imports of day-old chicks:

Countries	Quantity (Unit)	
	2002	2003
U.S.A.	831,656	1,515,713
Thailand	4,184,347	975,216
United Kingdom	754,935	693,676
France	395,899	430,728
Netherlands	688,316	399,093
New Zealand	212,050	301,747
Germany F. R.	443,210	189,174
Korea, Rep. of	165,307	174,810
Indonesia	0	143,808
Philippines	22,950	84,024
Luxemburg	0	72,061
Singapore	58,000	55,200
Hong Kong	0	10,764
Taiwan	10,120	4,050
Australia	1,572	0
Belgium	1,680	0
China	22,500	0
Denmark	0	0
Japan	0	0
--Total	7,792,542	5,050,064

Consumption

Malaysia has one of the highest per capita consumption rates in the world for chicken. Per capita consumption of chicken is reported at 31 kg. Chicken meat is the most popular and cheapest source of meat protein among Malaysians, largely because there are no dietary prohibitions or religious restrictions against chicken consumption.

The domestic consumption and the export markets are expected to decline with the avian influenza outbreak in the region and now the discovery of the country's first case of H5N1 (highly pathogenic) avian flu on August 19, 2004. According to the trade, the demand for chicken has gone down 20% during this period. However, it is still too early to estimate the actual impact of the disease panic on domestic consumption of chicken meat. The Malaysian Veterinary Services Department has taken all necessary steps to keep the avian influenza (AI) virus from spreading. The Malaysian authority is working on regaining the confidence of the countries (Singapore, Hong Kong, Japan and the EU) that have banned imports of Malaysian poultry.

The quick-service-restaurants (QSR) such as Kentucky Fried Chicken (KFC), McDonald's, A&W, Kenny Rogers, Nando's Chickenland (a South-African based chain) have reported business as usual. The QSR is popular among local consumers and have encouraged strong growth in chicken consumption.

The demand for turkey is high during Thanksgiving and Christmas seasons. Hotels feature roast turkey in their menus as part of the celebration offering. High-end retail outlets offer cooked turkeys with stuffing to consumers who wish to order turkey ready-to-eat. However, the trend in turkey consumption is changing especially among Malaysian urban dwellers. Hotel chefs are instrumental in introducing roast turkey: Indian style turkey with curry rice stuffings, Malay-style turkey in banana leaf and Chinese barbecued turkey have been included in the menus of food and beverage outlets of 5-star hotels. Retail promotions featuring turkey parts and cooking demonstrations using turkeys in everyday cooking have helped Malaysian consumers appreciate the bigger and meatier bird.

Trade

In 1983 the Government of Malaysia began to limit imports of frozen chicken into Peninsular Malaysia by instituting import licensing. The action was taken to protect domestic chicken producers. The states of Sabah and Sarawak in East Malaysia implemented similar restrictions on chicken imports in 1991.

Chicken parts are imported periodically depending on local supply situations. Some are shipped through Singapore for East Malaysian states of Sabah and Sarawak. These imports mainly cater to the further processing industry. In 2003, total imports of frozen chicken parts had dropped to 37,367 tons, from 42,688 tons in 2002. The major suppliers were Thailand (13,496 tons), Denmark (10,507 tons), Netherlands (4,740 tons), and China (3,645 tons). Imports from China had reduced significantly due to the outbreak of Avian Influenza last year. The Malaysian government has banned imports of chicken products from China in May 2003. This year, a similar ban was imposed for imports from Thailand (January) and the U.S. (February).

Malaysia has a robust further processing industry. Chicken frankfurters, cocktail sausages, burgers and nuggets that were exclusively imported before, are now locally produced. Major players, who are also integrators, invest heavily on brand names for their further processed products such as *Ayamas* (by Ayamas Food Corporation), *Ayam Dindings* (Dindings Poultry), and *Farm's Best* (Sinmah Food Industries). Local processed products command about 90% of the market and it is difficult for imported processed products to compete on the basis of price. However, there are some premium processed chicken products that have found favors with chefs of international hotels and with consumers at the upper income levels.

Since there is no commercial production of turkey in Malaysia, all turkey meat is imported. In 2003, imports of frozen whole turkey and turkey parts were 488 metric tons with CIF value of US\$0.9 million. The United States was still the only significant supplier. However, its market share has dropped from 96% to 89%. Other suppliers were China (5%) New Zealand (4%), and Canada (2%).

With the US poultry ban in place since February, the importers and foodservice industry are worried that there will be no roast turkey for this Christmas in their menus. With the tourism industry picking-up this year, the trade is concerned the poultry ban will have a negative impact. The importers had projected to bring in about 300 tons of turkey for the season.

Marketing Infrastructure/Channels

About 70% of chickens in the country are sold in the wet markets as most Malaysian consumers still believe freshly slaughtered chickens are fresher compared to frozen ones. Though local councils are enforcing health laws to prohibit chicken slaughter in wet markets, wholesalers arrange to slaughter the birds in selected areas and bring dressed chicken to the marketplace. The remaining 30% of sales occur in modern supermarkets and mini markets as well as numerous retail outlets operated by some of the integrated poultry companies.

Further-processed products, both local and imported, are distributed to wholesalers, supermarkets, hypermarkets, catering institutions, restaurants and hotels. Integrators such as KFC Holdings, Dinding Poultry and Sinmah Resources have their own marketing and distribution arms. Since processed products are not subject to government price controls, other integrators are moving into the business. Processed products like nuggets and frankfurters come in colorful, attractive packages to attract customers, especially children. Packages of one-kilo and 340-grams are popular consumer sizes.

Currently, there is no import duty on poultry meat. However, import permits from the Malaysian Department of Veterinary Services are required for all shipments of poultry products into the country.

All poultry shipments must be accompanied by appropriate U.S. Department of Agriculture documentation. Since Malaysia has a large Muslim population, all poultry products must be certified "halal" and must originate from slaughterhouses which have been inspected and approved by the Malaysian veterinary and religious authorities. Currently, there are 10 U.S. poultry facilities approved by the Malaysian authorities. U.S. suppliers who are interested in exporting to Malaysia should contact USA Poultry and Egg Export Council (USAPEEC) to coordinate inspection visits by Malaysian authorities to approve their facilities for "halal" exports to Malaysia.

PSD for Poultry, Meat, Broiler

PSD Table						
Country	Malaysia					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Inventory (Reference)	6	0	0	0	0	0
Slaughter (Reference)	470	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	810	835	833	893	0	955
Whole, Imports	0	1	0	0	0	0
Parts, Imports	46	37	48	35	0	37
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	46	38	48	35	0	37
TOTAL SUPPLY	856	873	881	928	0	992
Whole, Exports	1	2	1	1	0	0
Parts, Exports	5	3	6	3	0	5
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	6	5	7	4	0	5
Human Consumption	850	868	874	924	0	987
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	850	868	874	924	0	987
TOTAL Use	856	873	881	928	0	992
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	856	873	881	928	0	992
Calendar Yr. Imp. from U.S.	3	2	0	0	0	0

Exports Trade Matrix for Poultry, Meat, Broiler

Export Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Time Period	2003 Jan-Dec; 2004 Jan-Apr	Units:	Metric Ton
Exports for:	2003		2004
U.S.	7	U.S.	
Others		Others	
Japan	2252	Japan	599
Singapore	1619	Singapore	423
Hong Kong	899	Hong Kong	27
Taiwan	252	Thailand	7
Indonesia	116		
India	24		
Nigeria	15		
Brunei	8		
Philippines	2		
Total for Others	5187		1056
Others not Listed	1		1
Grand Total	5195		1057

Imports Trade Matrix for Poultry, Meat, Broiler

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Time Period	2003 Jan-Dec; 2004 Jan-Apr	Units:	Metric Ton
Imports for:	2003		2004
U.S.	1744	U.S.	240
Others		Others	
Thailand	26994	Denmark	3258
Denmark	11240	Netherlands	1610
Netherlands	4740	France	703
China	3798	China	67
France	2662	Germany	47
Germany	261	United Kingdom	27
Singapore	100	Dominica	27
Dominica	80		
Vietnam	75		
Brazil	50		
Total for Others	50000		5739
Others not Listed	88		
Grand Total	51832		5979

Price Table for Poultry, Meat, Broiler

Prices Table			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Prices in	Ringgit	per uom	Kilogram
Year	2003	2004	% Change
Jan	3.2	3.1	-3%
Feb	3.1	2.5	-19%
Mar	2.5	3.1	24%
Apr	2.4	3.5	46%
May	3.1	3.5	13%
Jun	3.4	3.5	3%
Jul	3.5	3.5	0%
Aug	3.5	3.2	-9%
Sep	3.5		-100%
Oct	3.5		-100%
Nov	3.5		-100%
Dec	3.5		-100%
Exchange Rate	3.8	Local Currency/US\$	